

**PETIT JEAN ELECTRIC COOPERATIVE CORPORATION**  
**CLINTON, ARKANSAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**LUBBOCK, TEXAS**



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**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**Independent Auditor's Report**

Board of Directors  
Petit Jean Electric Cooperative Corporation  
Clinton, Arkansas

**Report on the Financial Statements**

We have audited the accompanying financial statements of Petit Jean Electric Cooperative Corporation which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, comprehensive income and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Petit Jean Electric Cooperative Corporation as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Accompanying Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of electric plant, accumulated provision for depreciation, patronage capital, administrative and general expenses, and five year comparative data are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2021 on our consideration of Petit Jean Electric Cooperative Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Petit Jean Electric Cooperative Corporation's internal control over financial reporting and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

April 8, 2021

## PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Exhibit A

BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019

## ASSETS

	December 31,	
	2020	2019
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 119,293,267	\$ 116,051,658
Construction Work in Progress	671,711	241,301
	\$ 119,964,978	\$ 116,292,959
Less: Accumulated Provision for Depreciation	38,331,912	36,628,900
	\$ 81,633,066	\$ 79,664,059
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 12,047,430	\$ 12,882,554
	\$ 12,047,430	\$ 12,882,554
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,090,878	\$ 7,055,577
Accounts Receivable - Energy (Less Allowance for Uncollectibles of \$138,649 in 2020 and \$37,000 in 2019)	3,534,561	3,132,382
Accounts Receivable - Other	1,277,088	1,244,575
Accounts Receivable - Unbilled Revenue	405,107	667,060
Materials and Supplies	794,166	630,652
Other Current and Accrued Assets	150,901	154,794
Total Current Assets	\$ 12,252,701	\$ 12,885,040
DEFERRED CHARGES	\$ 612,095	\$ 845,332
TOTAL ASSETS	\$ 106,545,292	\$ 106,276,985

## EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 318,995	\$ 312,325
Patronage Capital	40,598,754	40,794,425
Other Equities	3,691,385	3,467,877
Other Comprehensive Loss	(2,592,833)	(2,108,870)
Total Equities	\$ 42,016,301	\$ 42,465,757
LONG-TERM DEBT		
FFB Mortgage Notes Less Current Maturities	\$ 47,865,116	\$ 49,729,229
Advance Payments	(4,024,771)	(4,697,078)
CFC Mortgage Notes Less Current Maturities	2,669,457	2,879,000
CoBank Mortgage Notes Less Current Maturities	4,368,972	4,813,773
Total Long-Term Debt	\$ 50,878,774	\$ 52,724,924
ACCUMULATED PROVISION FOR POST-RETIREMENT BENEFITS	\$ 3,116,047	\$ 3,158,312
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,518,456	\$ 2,524,516
Paycheck Protection Program Loan	1,260,837	
Current Portion of Accumulated Provision for Post-Retirement Benefits	457,865	462,358
Accounts Payable	998,190	594,210
Consumer Deposits and Prepayments	1,384,399	1,367,607
Interest Payable	24,574	26,790
Other Current and Accrued Liabilities	1,910,326	1,793,128
Total Current Liabilities	\$ 8,554,647	\$ 6,768,609
DEFERRED CREDITS	\$ 1,979,523	\$ 1,159,383
TOTAL EQUITIES AND LIABILITIES	\$ 106,545,292	\$ 106,276,985

See accompanying notes to financial statements.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Exhibit B

STATEMENTS OF INCOME, COMPREHENSIVE INCOME,  
AND PATRONAGE CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,				
	2020		2019		Increase (Decrease)
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 23,531,802	74.4	\$ 24,456,897	72.4	\$ (925,095)
Commercial and Industrial - Small	5,757,156	18.2	6,085,414	18.0	(328,258)
Commercial and Industrial - Large	1,807,377	5.7	2,246,876	6.6	(439,499)
Public Street and Highway Lighting	106,214	0.3	106,733	0.3	(519)
Public Authorities	341,177	1.1	681,983	2.0	(340,806)
Other Operating Revenues	93,572	0.3	215,836	0.6	(122,264)
Total Operating Revenues	<u>\$ 31,637,298</u>	<u>100.0</u>	<u>\$ 33,793,739</u>	<u>100.0</u>	<u>\$ (2,156,441)</u>
OPERATING EXPENSES					
Purchased Power	\$ 14,415,013	45.6	\$ 15,340,941	45.4	\$ (925,928)
Transmission - Operation	166,675	0.5	145,206	0.4	21,469
Distribution - Operation	1,696,677	5.4	1,544,110	4.6	152,567
Distribution - Maintenance	4,145,551	13.1	3,126,704	9.3	1,018,847
Consumer Accounts	1,507,809	4.8	1,400,542	4.1	107,267
Customer Service and Information	150,541	0.5	153,156	0.5	(2,615)
Administrative and General	2,384,673	7.5	2,299,104	6.8	85,569
Depreciation	3,590,780	11.3	3,474,382	10.3	116,398
Taxes	751,488	2.4	793,388	2.3	(41,900)
Other Interest	10,809	0.0	8,354	0.0	2,455
Miscellaneous Income Deductions	53,355	0.2	39,055	0.1	14,300
Total Operating Expenses	<u>\$ 28,873,371</u>	<u>91.3</u>	<u>\$ 28,324,942</u>	<u>83.8</u>	<u>\$ 548,429</u>
OPERATING MARGINS - Before Fixed Charges	<u>\$ 2,763,927</u>	<u>8.7</u>	<u>\$ 5,468,797</u>	<u>16.2</u>	<u>\$ (2,704,870)</u>
FIXED CHARGES					
Interest on Long-Term Debt	<u>\$ 2,088,907</u>	<u>6.6</u>	<u>\$ 2,131,148</u>	<u>6.3</u>	<u>\$ (42,241)</u>
OPERATING MARGINS - After Fixed Charges	<u>\$ 675,020</u>	<u>2.1</u>	<u>\$ 3,337,649</u>	<u>9.9</u>	<u>\$ (2,662,629)</u>
Capital Credits	<u>531,304</u>	<u>1.7</u>	<u>390,964</u>	<u>1.2</u>	<u>140,340</u>
NET OPERATING MARGINS	<u>\$ 1,206,324</u>	<u>3.8</u>	<u>\$ 3,728,613</u>	<u>11.0</u>	<u>\$ (2,522,289)</u>
NON-OPERATING MARGINS					
Interest and Dividend Income	<u>\$ 389,356</u>	<u>1.2</u>	<u>\$ 410,563</u>	<u>1.2</u>	<u>\$ (21,207)</u>
Other Non-Operating Income	<u>889,018</u>	<u>2.8</u>	<u>347,997</u>	<u>1.0</u>	<u>541,021</u>
	<u>\$ 1,278,374</u>	<u>4.0</u>	<u>\$ 758,560</u>	<u>2.2</u>	<u>\$ 519,814</u>
NET MARGINS	<u>\$ 2,484,698</u>	<u>7.9</u>	<u>\$ 4,487,173</u>	<u>13.3</u>	<u>\$ (2,002,475)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	(630,274)		(148,982)		
Post-Retirement Benefit Amortization	<u>146,311</u>		<u>134,153</u>		
COMPREHENSIVE INCOME	<u>\$ 2,000,735</u>		<u>\$ 4,472,344</u>		
Post-Retirement Benefit Adjustment	483,963		14,829		
PATRONAGE CAPITAL - BEGINNING OF YEAR	40,794,425		38,178,289		
Patronage Capital Retired	<u>(2,680,369)</u>		<u>(1,871,037)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 40,598,754</u>		<u>\$ 40,794,425</u>		

See accompanying notes to financial statements.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Exhibit C

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 2,484,698	\$ 4,487,173
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	4,039,914	3,862,080
Accumulated Provision for Post-Retirement Benefits Accrual/Activity	(68,363)	153,066
Capital Credits	(531,304)	(390,964)
Deferred Charges	233,237	155,160
Deferred Credits	820,140	76,852
Accounts Receivable	(172,739)	(574,473)
Inventories and Other Current Assets	(159,621)	(46,854)
Payables and Other Current Liabilities	535,754	196,476
Net Cash From Operating Activities	\$ 7,181,716	\$ 7,918,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (5,230,161)	\$ (3,018,322)
Plant Removal Costs Less Salvage and Other Credits	(778,760)	(849,776)
Other Investments and Deferred Charges	1,366,428	786,254
Net Cash From Investing Activities	\$ (4,642,493)	\$ (3,081,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	\$ (2,524,516)	\$ (2,400,586)
RUS Advanced Payments - Net	672,306	(227,781)
Advance on Paycheck Protection Loan	1,260,837	
Advances on Long-Term Debt - FFB		5,742,000
Payments on Behalf of Retirees	(462,358)	(430,630)
Retirement of Patronage Capital	(2,680,369)	(1,871,037)
Other Equities	223,508	407,555
Increase in Memberships - Net	6,670	1,220
Net Cash From Financing Activities	\$ (3,503,922)	\$ 1,220,741
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (964,699)	\$ 6,057,413
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,055,577	998,164
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,090,878	\$ 7,055,577
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 2,091,123	\$ 2,135,532
Income Taxes	\$ 0	\$ 0

See accompanying notes to financial statements.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Petit Jean Electric Cooperative Corporation (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arkansas Electric Cooperative Corporation (AECC) under an all requirements contract. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

**System of Accounts**

The accounting records of the Cooperative are maintained in accordance with the Rural Utilities Service (RUS) Uniform System of Accounts (USOA) prescribed for RUS electric borrowers.

**Electric Plant, Maintenance, and Depreciation**

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property, which represents a retirement unit, is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and temporary cash investments are considered cash and cash equivalents. At December 31, 2020 and 2019, temporary cash investments included \$4,600,601 and \$6,511,896, respectively, invested with AECC, net of offset.

**Right of Offset**

The Cooperative offsets its temporary cash investments in AECC prepaid power bill program with its recorded power bill at month end. The Cooperative offset \$1,558,951 and \$1,381,559 at December 31, 2020 and 2019, respectively.

**Accounts Receivable**

Accounts receivable are stated at the amount billed to members. The Cooperative provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts past due are considered delinquent. The Board of Directors authorizes the amount of delinquent receivables to be written off based on the list of uncollectible disconnected accounts and circumstances of the member.

## PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### Inventories

Materials and supplies inventories are valued at average unit cost.

#### Electric Revenues from Contracts with Customers

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout each month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized.

The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2020 and 2019 amounted to \$405,107 and \$667,060, respectively. The Cooperative's tariffs for electric service include adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power and interest expense. In order to match power cost and related revenues these amounts to be billed to consumers in subsequent periods are included with the revenue accrual described above. These amounts are included in current assets on the balance sheet.

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Cooperative presents its revenues net of any excise or sales taxes.

In late 2018, the Cooperative implemented new rates. The rates were designed to increase revenues approximately 5.7% based on a 2017 test year.

#### Other Revenues

Other revenues include miscellaneous service revenues, pole attachment revenues and other items. Utilities in Arkansas continue to discuss methodology and pricing related to joint pole attachment revenues.

#### Federal Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. More than 85% of the gross income is collected from members.

The Cooperative follows the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS) and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction and Arkansas. The Cooperative is no longer subject to examinations by federal and state taxing authorities for years before 2017.



**PETIT JEAN ELECTRIC COOPERATIVE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

The Cooperative recognizes interest accrued to income tax activities in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2020 and 2019.

**Group Concentration of Credit Risk**

The Cooperative's headquarters facility is located in Clinton, Arkansas. The service area includes members located in all or parts of a 9-county area in North Central Arkansas. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative may require a deposit from new members upon connection which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned to residential accounts along with accrued interest after one year of prompt payments. As of December 31, 2020 and 2019, deposits on hand totaled \$1,384,399 and \$1,367,607, respectively.

The financial institutions in which the Cooperative had deposits are insured by the Federal Deposit Insurance Corporation. At times during the year, the Cooperative's deposits exceeded the insured amounts.

**Patronage Capital Certificates**

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Assets Pledged**

All assets are pledged as security for the long-term debt due to Rural Utilities Service (RUS), Federal Financing Bank (FFB), National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank.



PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2020	2019
Transmission Plant	\$ 9,402,661	\$ 9,611,575
Distribution Plant	99,144,231	96,487,581
General Plant	10,746,375	9,952,502
Total Electric Plant in Service	\$ 119,293,267	\$ 116,051,658
Construction Work in Progress	671,711	241,301
Total Electric Plant	\$ 119,964,978	\$ 116,292,959

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	2.75%
Distribution Plant	2.80% - 10.00%
General Plant	
Structures and Improvements	2.00%
Office Furniture and Fixtures	12.00% - 20.00%
Transportation Equipment	16.00%
Power-Operated Equipment	12.00% - 15.00%
Communications Equipment	5.00%
Miscellaneous Equipment	6.00%
Tools, Shop, and Garage Equipment	6.00%
Laboratory Equipment	6.00%

Depreciation for the years ended December 31, 2020 and 2019, was \$4,039,914 and \$3,862,080, respectively, of which \$3,590,780 and \$3,474,382 was charged to depreciation expense and \$449,134 and \$387,698 was allocated to other accounts.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**4. Investments in Associated Organizations**

Investments in associated organizations consisted of:

	December 31,	
	2020	2019
CFC		
Capital Term Certificates	\$ 755,550	\$ 765,000
Patronage Capital	305,872	308,170
Arkansas Electric Cooperative Corporation		
Patronage Capital	9,943,019	10,739,422
Arkansas Electric Cooperatives, Inc.		
Patronage Capital	542,910	561,711
Federated Rural Insurance		
Patronage Capital	298,217	283,765
NISC		
Patronage Capital	174,506	164,384
ARESIT		
Accumulated Dividends	23,257	55,963
Other	4,099	4,139
	<u>\$ 12,047,430</u>	<u>\$ 12,882,554</u>

**5. Materials and Supplies**

Materials and supplies consisted of:

	December 31,	
	2020	2019
Construction Materials and Supplies	\$ 785,757	\$ 611,571
Fuel	8,409	19,081
	<u>\$ 794,166</u>	<u>\$ 630,652</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**6. Deferred Charges**

Deferred charges included the following:

	December 31,	
	2020	2019
RS Plan Accelerated Funding/Other	\$ 540,855	\$ 750,332
Construction Work Plan 2020-2023	71,240	95,000
	<u>\$ 612,095</u>	<u>\$ 845,332</u>

During 2013, the Cooperative elected to participate in the NRECA RS Prepayment. The Cooperative's contribution was \$2,501,107 and is being amortized over 10 years. Amortization expense for the year ended December 31, 2020 and 2019 was \$250,110 and \$250,110, respectively.

**7. Return of Capital**

The mortgage agreements contain provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include minimum equity, debt service, and earnings ratios. The Cooperative is in compliance with these provisions at December 31, 2020 and 2019. Patronage capital totaling \$2,650,369 and \$1,871,037 was retired during 2020 and 2019.

**8. Patronage Capital**

Patronage capital consists of the following:

	December 31,	
	2020	2019
Assigned	\$ 37,446,403	\$ 35,535,682
Assignable	3,151,757	5,257,213
Other	594	1,530
	<u>\$ 40,598,754</u>	<u>\$ 40,794,425</u>

**9. Other Equities**

Other equities consist of the following:

	December 31,	
	2020	2019
Other Equities	\$ 9,485	\$ 9,485
Retired Capital Credits - Gain	3,681,900	3,458,392
	<u>\$ 3,691,385</u>	<u>\$ 3,467,877</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

10. Mortgage Notes – FFB

The long-term debt due FFB is represented by 35-year mortgage notes, guaranteed by the RUS and payable to the FFB. Principal and interest on the notes are paid in quarterly installments.

Following is a summary of long-term debt due FFB and maturing at various times through 2051:

	December 31,	
	2020	2019
Fixed Rate Notes (2.284% - 5.208%)	\$ 49,729,230	\$ 51,535,473
Less: Current Maturities	1,864,114	1,806,244
	<u>\$ 47,865,116</u>	<u>\$ 49,729,229</u>

As of December 31, 2020, annual maturities of long-term debt due FFB for the next five years are as follows:

2021	\$ 1,864,114
2022	\$ 1,952,005
2023	\$ 2,033,222
2024	\$ 2,117,130
2025	\$ 2,193,637

Advance payments of \$4,024,771 and \$4,697,078 at December 31, 2020 and 2019, respectively, may be applied to FFB payments. There are no unadvanced funds available for draw down.

11. CFC Mortgage Notes

Following is a summary of long-term debt due CFC and maturing at various times through 2032:

	December 31,	
	2020	2019
Fixed Rate Notes (4.20% - 6.00%)	\$ 2,879,000	\$ 3,165,996
Less: Current Maturities	209,543	286,996
	<u>\$ 2,669,457</u>	<u>\$ 2,879,000</u>

Principal and interest installments on the above notes are due quarterly. Annual maturities of long-term debt due CFC for the next five years are as follows:

2021	\$ 209,543
2022	\$ 219,799
2023	\$ 230,573
2024	\$ 241,890
2025	\$ 253,779

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**12. CoBank Mortgage Notes**

Long-term debt due CoBank is represented by mortgage notes payable to CoBank. Principal and interest on the notes are paid in monthly installments. Following is a summary of long-term debt due CoBank and maturing in 2030:

	December 31,	
	2020	2019
Fixed Rate Notes (2.953%)	\$ 4,813,773	\$ 5,245,049
Less: Current Maturities	444,801	431,276
	<u>\$ 4,368,972</u>	<u>\$ 4,813,773</u>

As of December 31, 2020, annual maturities of long-term debt due CoBank for the next five years are as follows:

2021	\$ 444,801
2022	\$ 458,303
2023	\$ 472,214
2024	\$ 486,266
2025	\$ 501,308

**13. Short-Term Borrowing and Paycheck Protection Program**

The Cooperative has a perpetual line of credit at a variable interest rate with CFC not to exceed \$5,000,000. Additionally, the Cooperative also has a perpetual line of credit at a variable interest rate with CoBank not to exceed \$5,000,000. There were no balances outstanding on either line of credit at December 31, 2020 or 2019.

In the event of an emergency, and with applicable notification, the Cooperative has access to an emergency line of credit with CFC in the amount of \$5,000,000.

In 2020, the Cooperative qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$1,260,837 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Cooperative's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Cooperative. The Cooperative applied for and was granted forgiveness of the PPP Loan with respect to these covered expenses in January 2021.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

To the extent that all or part of the PPP Loan was not forgiven, the Cooperative would have been required to pay interest on the PPP Loan at a rate of 1.0% through the maturity date in 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Cooperative has accounted for the PPP loan under the Debt Model as provided for in applicable accounting guidance. With forgiveness granted in 2021, the Cooperative will record income in the period the legal release is finalized.

**14. Deferred Credits**

Deferred credits include the following:

	December 31,	
	2020	2019
Unclaimed Capital Credits	\$ 1,396,299	\$ 1,047,193
Construction Advance	583,224	112,190
	<u>\$ 1,979,523</u>	<u>\$ 1,159,383</u>

**15. Litigation and Commitments**

Management has represented the Cooperative is not involved in any litigation expected to have an adverse impact on the financial statements.

**16. Pension Benefits**

**Narrative Description**

The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

**Plan Information**

The Cooperative's contributions to the RS Plan in 2020 and 2019 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$1,088,979 in 2020 and \$1,048,473 in 2019. There have been no significant changes that affect the comparability of 2020 and 2019 contributions. Pension expense for the years ended December 31, 2020 and 2019, including amortization of RS prepayment, was \$1,339,090 and \$1,298,584, respectively.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employers. In total, the RS Plan was over 80% funded on January 1, 2020 and January 1, 2019 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The employees also participate in a 401(k) plan, a defined contribution plan provided through NRECA. The Cooperative makes monthly contributions to this plan. The cost for the Cooperative was \$202,147 and \$201,996 for the years ended December 31, 2020 and 2019, respectively.

**17. Post-Retirement Benefits Other than Pensions/Pension Reserve**

The Cooperative provides post-retirement medical and dental benefits for eligible employees and directors through plans with NRECA and BCBS. For purposes of this statement, the written plan in effect is the substantive plan and is considered a defined benefit plan. The Cooperative contributes amounts dependent on date of hire, type of plan selected and dependent coverage.

Benefits are paid on behalf of retirees and are a function of medical insurance costs and number of retirees. Benefits paid for the years ended December 31, 2020 and 2019, were \$462,358 and \$430,630, respectively.

The Cooperative's policy for contributions is to contribute the amount of the current benefits in that year.

The weighted-average discount rate used to develop the accumulated post-retirement benefit obligation was 2.80% and the expected long term return on plan assets was 4.40%. The assumed health care cost trend rate is 6.40% for 2020, declining to an ultimate level of 5.00% in 2027.

Amounts recognized in the Cooperative's financial statements and funded status of the Plan are as follows:

	December 31,	
	2020	2019
I) Net Post-Retirement (Benefit) Cost		
Service Cost	\$ 106,042	\$ 95,471
Interest Cost	235,317	261,908
Amortization of Actuarial Amounts	146,311	134,153
Return on Assets	(556,033)	(338,465)
	<u>\$ (68,363)</u>	<u>\$ 153,067</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

II) Accumulated Post-Retirement Benefit Obligation

(APBO) Reconciliation:

APBO Balance at Beginning of Year	\$	(6,998,932)	\$	(6,666,540)
Plan Amendment and Actuarial Changes		(273,292)		(405,643)
Interest Cost / Service Cost		(341,359)		(357,379)
Benefits Paid		462,358		430,630
Net Post-Retirement Benefit Liability at Year End	\$	<u>(7,151,225)</u>	\$	<u>(6,998,932)</u>

III) Reconciliation of Funded Status

APBO	\$	(7,151,225)	\$	(7,331,324)
Assets Funded		<u>3,577,313</u>		<u>3,378,262</u>
Net Accrued Post-Retirement Benefit	\$	<u>(3,573,912)</u>	\$	<u>(3,953,062)</u>

IV) Amounts Not Yet Recognized in Net Periodic Income

Unrecognized Actuarial Loss	\$	<u>2,592,833</u>	\$	<u>2,108,870</u>
	\$	<u>2,592,833</u>	\$	<u>2,108,870</u>

V) Plan Assets

Change in Plan Assets				
Fair Value of Plans Assets at Beginning of Year	\$	3,378,262	\$	2,783,135
Return on Plan Assets Net of Disbursements		556,033		338,465
Actuarial Gain (Losses)		<u>(356,982)</u>		<u>256,662</u>
	\$	<u>3,577,313</u>	\$	<u>3,378,262</u>

The Cooperative's post-retirement benefit plans asset allocations are as follows:

	December 31,	
	2020	2019
HOMESTEAD FUNDS		
Short-Term Bond Funds	\$ 1,298,621	\$ 766,951
Stock Funds (Value Fund)	2,278,692	2,611,311
	<u>\$ 3,577,313</u>	<u>\$ 3,378,262</u>

The estimated actuarial loss for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost over the next fiscal year is expected to be \$222,477.

Estimated future benefit payments are as follows:

2021	\$ 457,865
2022	470,242
2023	477,101
2024	500,834
2025	479,057
2026-2030	2,096,664



PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**18. Related Parties**

The Cooperative, along with other electric distribution cooperatives in Arkansas, is a member (and therefore part owner) of Arkansas Electric Cooperative Corporation (AECC) (G&T) and Arkansas Electric Cooperatives, Inc. (AECI). The Cooperative purchases all power from AECC and purchases substantial goods and services from AECI. Total purchases from AECI were \$1,626,940 and \$1,307,445 for 2020 and 2019, respectively. The amount payable to AECC at December 31, 2020 and 2019, was \$0 and \$0, respectively after offset.

**19. Disclosures about Fair Value of Financial Instruments**

The Fair Value Measurements Topic of the FASB Accounting Standards Codification requires the disclosure of fair value information about financial instruments. Many of the Cooperative's financial instruments lack an available market as characterized by a normal exchange between a willing buyer and a willing seller. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

The following assumptions were used to estimate fair value of each class of financial instrument for which estimation is practicable:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, patronage capital from associated organizations is not considered financial instruments.

CFC Capital Term Certificates – It is not practical to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Carrying value, given the short period to maturity.

FFB Fixed Rate Long-Term Debt – The fair value of the Cooperative's FFB Fixed Rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt maturing at the same time as the FFB debt.

	Carrying Value	Fair Value
As of December 31, 2020	\$ <u>49,729,230</u>	\$ <u>47,969,483</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

CoBank Fixed Rate Long-Term Debt – The fair value of the Cooperative's CoBank Fixed Rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CoBank fixed interest rate available for long-term debt maturing at the same time.

	Carrying Value	Fair Value
As of December 31, 2020	\$ 4,813,773	\$ 5,030,901

CFC Fixed Rate Long-Term Debt – The fair value of the Cooperative's CFC Fixed Rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt maturing at the same time.

	Carrying Value	Fair Value
As of December 31, 2020	\$ 2,879,000	\$ 3,363,274

**Fair Value Hierarchy**

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

Long-Term Debt valuations are considered Level 2.

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

**20. Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2021. The Cooperative is evaluating the impact of the new standard on the financial statements.

**21. Subsequent Events**

The Cooperative began a fiber to the home project in late 2020. In connection with this, the Cooperative has been notified it was awarded Rural Digital Opportunity Fund (RDOF) grant awards. The Cooperative should begin receiving grant funds in 2021. Also, in early 2021, the Cooperative formed a wholly owned subsidiary, Petit Jean Fiber, LLC to transact certain activities related to the fiber to the home project.

In mid-February 2021 a severe winter storm impacted the southern United States, including the Cooperative's service territory. This resulted in severe outages and power cost increases across the region. As a result, the Cooperative, could incur much higher than expected power supply costs. These increased costs could potentially result in increases to customer bills for an extended period of time and other financial impacts.

The Cooperative has evaluated subsequent events through April 8, 2021, the date which the financial statements were available to be issued.

**ACCOMPANYING INFORMATION**

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Schedule 1

ELECTRIC PLANT  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Transmission Plant				
Land and Land Rights	\$ 1,195,166	\$	\$ 6,920	\$ 1,188,246
Station Equipment	101,444			101,444
Poles, Towers, and Fixtures	5,081,925	27,223	134,614	4,974,534
Overhead Conductors and Devices	3,233,040		94,603	3,138,437
Total	<u>\$ 9,611,575</u>	<u>\$ 27,223</u>	<u>\$ 236,137</u>	<u>\$ 9,402,661</u>
Distribution Plant				
Land and Land Rights	\$ 171,888	\$	\$	\$ 171,888
Station Equipment	11,910,409	27,356		11,937,765
Poles, Towers, and Fixtures	26,620,155	507,141	192,092	26,935,204
Overhead Conductors and Devices	27,568,499	1,379,318	264,844	28,682,973
Underground Conductors and Devices	2,527,913	499,960	115,226	2,912,647
Line Transformers	12,474,615	503,153	105,536	12,872,232
Services	6,657,947	186,023	73,828	6,770,142
Meters	4,674,188	302,794	119,370	4,857,612
Installations on Consumer Premises	3,838,884	327,298	205,497	3,960,685
Street Lighting	43,083			43,083
Total	<u>\$ 96,487,581</u>	<u>\$ 3,733,043</u>	<u>\$ 1,076,393</u>	<u>\$ 99,144,231</u>
General Plant				
Land and Land Rights	\$ 337,821	\$	\$	\$ 337,821
Structures and Improvements	3,642,219			3,642,219
Office Furniture and Equipment	645,159	73,139	42,443	675,855
Transportation Equipment	4,329,592	844,283	179,222	4,994,653
Tools, Shop, and Garage Equipment	119,778	27,297	4,049	143,026
Laboratory Equipment	164,643			164,643
Power Operated Equipment	210,506	55,442	12,525	253,423
Communications Equipment	460,336	21,476	7,373	474,439
Miscellaneous Equipment	42,448	17,848		60,296
Total	<u>\$ 9,952,502</u>	<u>\$ 1,039,485</u>	<u>\$ 245,612</u>	<u>\$ 10,746,375</u>
Total Classified Electric Plant in Service	\$ 116,051,658	\$ 4,799,751	\$ 1,558,142	\$ 119,293,267
Construction Work in Progress	<u>241,301</u>	<u>430,410</u>		<u>671,711</u>
Total Utility Plant	<u>\$ 116,292,959</u>	<u>\$ 5,230,161</u>	<u>\$ 1,558,142</u>	<u>\$ 119,964,978</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Balance 1/1/2020	Depreciation Accruals	Retirements	Balance 12/31/2020
Transmission Plant	\$ 2,225,692	\$ 226,998	\$ 233,540	\$ 2,219,150
Distribution Plant	\$ 28,634,733	\$ 3,104,569	\$ 1,901,998	\$ 29,837,304
General Plant				
Structures and Improvements	\$ 1,129,588	\$ 72,859	\$	\$ 1,202,447
Office Furniture and Fixtures	407,112	106,695	42,443	471,364
Transportation and Power Operated Equipment	3,612,229	488,122	162,614	3,937,737
Tools, Shop, and Garage Equipment	102,336	11,193	4,049	109,480
Laboratory Equipment	69,332	9,879		79,211
Communications Equipment	460,336	16,395	6,873	469,858
Miscellaneous Equipment	36,749	3,204	1,454	38,499
Total General Plant	\$ 5,817,682	\$ 708,347	\$ 217,433	\$ 6,308,596
Total Classified Electric Plant in Service	\$ 36,678,107	\$ 4,039,914	\$ 2,352,971	\$ 38,365,050
Retirement Work in Progress	(49,207)		(16,069)	(33,138)
	\$ 36,628,900	\$ 4,039,914	\$ 2,336,902	\$ 38,331,912
		(1)	(2)	
(1) Charged to Depreciation Expense		\$ 3,590,780		
Charged to Clearing Accounts		449,134		
		\$ 4,039,914		
(2) Cost of Units Retired			\$ 1,558,142	
Add: Cost of Removal			819,156	
Less: Salvage and Other Credits			(40,396)	
Loss Due to Retirement			\$ 2,336,902	

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Schedule 3

PATRONAGE CAPITAL  
DECEMBER 31, 2020

Calendar Year	Assigned G&T Capital Credits	Assigned Cooperative Capital Credits	Capital Credits Retired	Capital Credits Unretired
1998	\$ 1,647,975	\$ 597,245	\$ 2,245,220	\$
1999	1,940,168	121,080	2,061,248	
2000	1,450,193		1,450,193	
2001	1,129,323	523,203	1,652,526	
2002	775,402	367,486	28,256	1,114,632
2003	398,424	858,413	34,005	1,222,832
2004	295,576	1,101,442	43,722	1,353,296
2005	52,132	1,003,569	26,226	1,029,475
2006	623,227	1,849,200	38,611	2,433,816
2007	209,543	2,011,689	38,685	2,182,547
2008	405,923	2,109,411	27,765	2,487,569
2009		844,494	10,389	834,105
2010	686,558	2,037,366	19,608	2,704,316
2011	1,079,973	1,530,139	9,741	2,600,371
2012	1,143,120	1,299,045	4,132	2,438,033
2013	324,565	1,878,378	7	2,202,936
2014		2,655,001	24	2,654,977
2015		1,524,068	50	1,524,018
2016	256,663	1,005,261	28	1,261,896
2017	431,249	731,338	3	1,162,584
2018	468,406	3,180,441		3,648,847
2019	4,333,425	256,728		4,590,153
	<u>\$ 17,651,845</u>	<u>\$ 27,484,997</u>	<u>\$ 7,690,439</u>	<u>\$ 37,446,403</u>
2020 Assignable				2,746,650
Unbilled Revenue Assignable				405,107
Other				<u>594</u>
Patronage Capital				<u>\$ 40,598,754</u>

PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

Schedule 4

ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,		Increase
	2020	2019	(Decrease)
Administrative and General Salaries	\$ 1,400,216	\$ 1,374,737	\$ 25,479
Office Supplies and Expense	158,420	148,146	10,274
Outside Services Employed	214,191	113,950	100,241
Other Insurance	70,623	66,242	4,381
Directors' Fees and Expenses	227,049	257,488	(30,439)
Annual Meeting Expense	12,270	12,643	(373)
Miscellaneous General Expense	117,743	129,027	(11,284)
Regulatory Commission Expense	61,021	63,716	(2,695)
Maintenance of General Plant	123,140	133,155	(10,015)
	<u>\$ 2,384,673</u>	<u>\$ 2,299,104</u>	<u>\$ 85,569</u>



## PETIT JEAN ELECTRIC COOPERATIVE CORPORATION

## Schedule 5

## FIVE YEAR COMPARATIVE DATA

	December 31,				
	2020	2019	2018	2017	2016
<b>OPERATING REVENUES</b>					
Residential	\$ 23,531,802	\$ 24,456,897	\$ 24,589,696	\$ 21,435,455	\$ 21,990,692
Commercial and Industrial - Small	5,757,156	6,085,414	6,175,655	5,930,233	5,900,470
Commercial and Industrial - Large	1,807,377	2,246,876	1,919,005	1,276,208	1,278,595
Public Street and Highway Lighting	106,214	106,733	99,330	96,652	95,805
Public Authorities	341,177	681,983	694,410	617,302	670,475
Other Operating Revenues	93,572	215,836	302,485	677,961	579,504
Total Operating Revenues	\$ 31,637,298	\$ 33,793,739	\$ 33,780,581	\$ 30,033,811	\$ 30,515,541
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 14,415,013	\$ 15,340,941	\$ 16,760,718	\$ 16,120,329	\$ 16,381,816
Transmission - Operation	166,675	145,206	21,964	36,233	49,080
Distribution - Operation	1,696,677	1,544,110	1,439,445	1,389,052	1,511,867
Distribution - Maintenance	4,145,551	3,126,704	3,358,338	3,264,729	2,791,606
Consumer Accounts	1,507,809	1,400,542	1,419,572	1,345,180	1,383,817
Customer Service and Information	150,541	153,156	163,424	151,466	150,583
Administrative and General	2,384,673	2,299,104	2,144,960	1,992,347	1,976,403
Depreciation	3,590,780	3,474,382	3,314,254	3,114,724	3,037,174
Taxes	751,488	793,388	697,235	630,176	618,670
Other Interest	10,809	8,354	3,910	3,852	3,640
Miscellaneous Income Deductions	53,355	39,055	39,885	61,228	51,094
Total Operating Expenses	\$ 28,873,371	\$ 28,324,942	\$ 29,363,705	\$ 28,109,316	\$ 27,955,750
OPERATING MARGINS - Before Fixed Charges	\$ 2,763,927	\$ 5,468,797	\$ 4,416,876	\$ 1,924,495	\$ 2,559,791
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	2,088,907	2,131,148	2,035,935	1,894,166	1,920,916
OPERATING MARGINS - After Fixed Charges	\$ 675,020	\$ 3,337,649	\$ 2,380,941	\$ 30,329	\$ 638,875
Capital Credits	531,304	390,964	631,353	570,031	423,943
NET OPERATING MARGINS	\$ 1,206,324	\$ 3,728,613	\$ 3,012,294	\$ 600,360	\$ 1,062,818
<b>NON-OPERATING MARGINS</b>					
Interest and Dividend Income	389,356	410,563	269,935	230,532	178,229
Other Non-Operating Income	889,018	347,997	302,718	303,700	305,753
NET MARGINS	\$ 2,484,698	\$ 4,487,173	\$ 3,584,947	\$ 1,134,592	\$ 1,546,800
<b>Miscellaneous Statistics</b>					
Customers at End of Year	20,381	20,072	20,026	19,961	19,895
MWH Sales	288,800	314,566	322,182	275,975	292,913
Times Interest Earned Ratio	2.19	3.11	2.76	1.60	1.81
Equity to Total Assets	39.4	40.0	39.4	38.4	42.0
Equity to Total Capitalization	43.6	43.5	43.1	43.0	46.4
Plant Additions	\$ 5,230,161	\$ 3,018,322	\$ 5,605,662	\$ 12,431,191	\$ 3,531,230
Capital Credit Retirements	\$ 2,680,369	\$ 1,871,037	\$ 1,604,829	\$ 1,099,229	\$ 1,721,496

**COMPLIANCE AND INTERNAL CONTROL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

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**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL  
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

**Independent Auditor's Report**

Board of Directors  
Petit Jean Electric Cooperative Corporation  
Clinton, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Petit Jean Electric Cooperative Corporation (the Cooperative), which comprise the balance sheet as of December 31, 2020, and the related statements of income, comprehensive income and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2021. In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2021, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

See Note 4 of the notes to the financial statements for the schedule of investments. See Notes 6 and 14 of the notes to the financial statements for the schedules of deferred debits and deferred credits.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

April 8, 2021

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

Board of Directors  
Petit Jean Electric Cooperative Corporation  
Clinton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Petit Jean Electric Cooperative Corporation, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Petit Jean Electric Cooperative Corporation's basic financial statements, and have issued our report thereon dated April 8, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Petit Jean Electric Cooperative Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Petit Jean Electric Cooperative Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Petit Jean Electric Cooperative Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Petit Jean Electric Cooperative Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

April 8, 2021

